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SUBJECT: FROM IDEOLOGY CZAR TO REFORM ADVOCATE

REF: HCMC 805 AND PREVIOUS

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11. (SBU) SUMMARY: On August 16, People's Council Chairwoman Pham Phuong Thao and CG discussed issues ranging from the city's plans for attracting private investment to meet much of the city's massive infrastructure requirements to the social and political challenges posed by the widening economic disparity among the residents of this booming city. Over the course of the one-hour meeting, Chairwoman Thao, whose resume includes a stint as the chief of Communist ideology for HCMC, began rather stiffly but eventually spoke earnestly of the need to make local government more responsive to people's needs and her wish that the national government would act more swiftly on economic liberalization. END SUMMARY.

WARMING TO CHANGE  
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12. (SBU) After listening to a fairly typical recitation of GVN policies and goals in HCMC, CG Fairfax used examples from his past work on urban redevelopment in the U.S. as well as from his experiences in other transition economies to draw out Chairwoman Thao on how the People's Council (which is analogous to a City Council) is facing the challenges that inevitably accompany rapid change.

13. (SBU) While Thao was initially quite guarded in her responses, as she warmed to the topic she said that while HCMC is dynamic and young, like any youth, it demands a great deal of attention. In particular, Thao believes the HCMC government cannot afford to become complacent due to its past successes and must instead learn to respond to increasing pressure and public demands, citing as examples a recent survey of city residents conducted to measure satisfaction with public services and the fact that her office now has a hotline to receive "a great many" complaints from residents every day. At another point in the conversation, she also expressed her desire for the GVN to move forward more quickly on economic liberalization, citing a new law on public-private partnership projects as well as administrative reforms as key areas in need of rapid action. Having (mildly) criticized the GVN for slow action on reform, Thao also admitted that while the People's Council has made administrative reforms a key priority for the past two years, progress has thus far proved elusive.

14. (SBU) Asked about the economic "winners and losers" in HCMC's rapid transformation in general and about those HCMC residents who took part in recent land rights protests (reftels) in particular, Thao readily acknowledged that a number of HCMC residents have been left behind as the overall economy has moved forward. On the land issue, she explained that hundreds of thousands of HCMC residents have been affected by the city's

urban development projects and that not all of them were able to find replacement housing. While she started with the line that "everyone must make sacrifices for the sake of development and progress," she also acknowledged that those sacrifices have not been spread evenly.

15. (SBU) Thao explained that while some of the people who have been displaced have been able to use their compensation money to acquire new residences and even to open successful businesses, others have been less fortunate. She said that in some cases it was a question of timing while in others projects should have been managed better. While she believes that a large majority of residents in redeveloped areas wind up better off than they were before, she admitted that tens of thousands out of the few hundred thousand households that have been displaced nonetheless wound up much worse off. She described a two-pronged approach to address this problem. First, the city is moving to compensate those unfairly disadvantaged in the past by providing new housing. She estimated 4,700 units would be made available in 2007 alone and she hopes for a larger number in 2008. Second, to avoid creating new problems the city has adopted policies on major development projects under which developers -- public and private -- must mitigate the impact of their projects on local residents and the environment.

#### CASH TO TAKE OUT THE TRASH

16. (U) Looking to the future, Thao said the government's multi-year urban infrastructure plan included projects to renovate HCMC's transportation, education and health care networks. She also explained her conviction that the key to the city's future economic success is mobilizing private sector expertise and private capital to complete many of these public infrastructure projects. Thao hoped the CG would continue to help HCMC attract more U.S. expertise and funding for urban development projects, citing an American investment in a new solid waste processing facility as a huge success and model for future projects. While not the largest of the city's six major dumps, she explained that this single new American investment

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will soon accommodate one half of the city's urban waste (3,000 tons a day) in a state of the art facility that incorporates advanced recycling, composting and environmental protection technologies -- all of it built without a dime of public money. (Comment: We believe she was referring to a facility built by California Waste Management that is operated on a commercial basis with tipping fees providing its income stream.)

17. (U) Noting that nothing builds success like success, the CG expressed his hope that the city would help to ensure the success of recently formed private infrastructure investment funds by working closely with them. He also volunteered to return for a future meeting accompanied by commercial experts so that they could discuss specific infrastructure projects that the city believes are suitable for private or PPP development.

18. (U) This cable was coordinated with Embassy Hanoi.FAIRFAX